

# LAWFUL PURPOSE EXPENDITURES

This chapter covers the expenditures that an organization makes from its gambling account for donations and certain taxes. Some LPE are also called “charitable contributions”.



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<b>Lawful Purpose Expenditures A Code Summary</b>					
This one-page chart lists the lawful purpose expenditures that are allowed, and the codes to use when reporting these expenditures. Refer to the A code information for restrictions not noted in this chart.		<b>Charitable contributions</b> are defined as lawful purpose codes A1 to A7, A10 to A15, & A19.			
<p><b>A1</b> To and by 501(c)(3) organizations or 501(c)(4) festival organizations.</p> <p><b>A2</b> Relieving the effects of poverty, homelessness, or disability.</p> <p><b>A3</b> Program for education, prevention, or treatment of problem gambling.</p> <p><b>A4</b> Funding a public or private nonprofit education institution registered with or accredited by Minnesota or any other state.</p> <p><b>A5</b> Scholarships.</p> <p><b>A6</b></p> <ul style="list-style-type: none"> <li>- Recognition of military service (open to the public).</li> <li>- Active military personnel in need.</li> </ul> <p><b>A7</b> Activities and facilities benefiting youth under age 21.</p> <p><b>A8</b> Payment of local, state, and federal taxes on receipts from lawful gambling.</p> <p><b>A9</b> Real estate taxes and assessments on gambling premises:</p> <ul style="list-style-type: none"> <li>- owned by a licensed organization (includes veterans organizations), or</li> <li>- wholly leased by a licensed 501(c)(19) veterans organization.</li> </ul> <p><b>A10</b></p> <ul style="list-style-type: none"> <li>- Contributions to the United States, state of Minnesota, or any of its subdivisions or agencies or instrumentalities (except a direct contribution to a law enforcement or prosecutorial agency).</li> <li>- A fund administered and regulated by a city or county (for lawful purposes).</li> </ul>	<p><b>A11</b> To and by a nonprofit organization which is a church or a body of communicants.</p> <p><b>A12</b> Water quality testing for public waters, provided that the MPCA has approved the project.</p> <p><b>A13</b></p> <ul style="list-style-type: none"> <li>- Wildlife management project that benefits the public-at-large, provided that the DNR has approved the project.</li> <li>- Costs related to grooming and maintaining snowmobile or all-terrain vehicle trails that are grant-in-aid trails, or other trails open to public use, provided that DNR has approved the project.</li> <li>- Supplies and materials for safety training and education programs coordinated by the DNR.</li> </ul> <p><b>A14</b> Conducting nutritional programs, food shelves, and congregate dining programs primarily for persons who are age 62 or older or disabled.</p> <p><b>A15</b> To community arts organizations or expenditures to fund arts programs in the community.</p> <p><b>A16</b> Utility costs (fuel for heating, water, electricity, and sewer costs) for building wholly owned or wholly leased by licensed veteran or fraternal organizations and used as their primary headquarters (if portion leased out, percentage for primary headquarters allowed with GCB Director approval).</p> <p><b>A17</b> Meals and other membership events of licensed veterans organizations, limited to members and spouses only, held in recognition of military service (limit \$5,000 per year for all organizations at post home).</p>	<p><b>A18</b> Fees paid to the state for organization license, premises permits, and gambling manager license.</p> <p><b>A19</b> Recognizing humanitarian service demonstrated through volunteerism or philanthropy.</p> <p><b>A20</b> Contribution to another licensed organization, with Board approval.</p> <p><b>A21</b> Contribution to a parent organization that has received prior Board approval.</p> <tr> <th colspan="3"><b>Real Property/Capital Assets</b></th></tr> <p><b>A22</b> Repair, maintenance, or improvement of owned real property and capital assets, or replacement of owned capital asset that is no longer repairable, subject to annual limit.</p> <p><b>A23</b> Acquisition or improvement of capital assets (excluding real property) used exclusively for lawful purpose, with a cost greater than \$2,000, with Board approval.</p> <p><b>A24</b> Acquisition, erection, improvement, or expansion of real property used exclusively for lawful purpose, with Board approval.</p> <p><b>A25</b> Erection or acquisition of comparable building to replace building destroyed or made uninhabitable due to fire or catastrophe, or taken or sold under eminent domain proceeding, with Board approval.</p> <p><b>A26</b> Contribution to non-licensed 501(c)(19) organization that is not affiliated with contributing organization and whose owned or leased property is not a permitted premises.</p>	<b>Real Property/Capital Assets</b>		
<b>Real Property/Capital Assets</b>					

## Lawful Purpose Rating

For each 12-month period (July to June) a licensed organization will be evaluated by the Gambling Control Board to determine a rating based on the percentage of annual net receipts (gross receipts less prizes paid) spent on lawful purpose expenditures.

### Star rating determined

Organizations will be evaluated according to the following criteria.

#### **% Spent on**

#### **Lawful Purpose    Rating**

more than 50%.....5 star    ★ ★ ★ ★ ★

more than 40%.....4 star    ★ ★ ★ ★

more than 30%.....3 star    ★ ★ ★

more than 20%.....2 star    ★ ★    One year automatic probation

Less than 20%.....1 star    ★    One year automatic probation

**EXCEPTION:** For an organization that conducts lawful gambling exclusively in a location where the primary business is bingo, the minimum rating is 20%.

### Automatic probation for 1 and 2 star ratings

- An organization that fails to expend a minimum of 30% of annual net receipts on lawful purposes is automatically on probation for the following fiscal year starting on July 1.
- By the end of the one-year probationary period, the organization must increase their rating to a minimum of 30% or be subject to sanctions by the Gambling Control Board.
- If an organization fails to meet the minimum after a one-year probation, the Board may suspend the organization's license or impose a civil penalty of up to \$10,000.

### Suspension or civil penalty criteria

Before imposing a suspension or civil penalty, the Board will take into consideration the following factors that may have caused an organization to not meet the minimum rate of profitability:

1. the purchase of capital assets necessary to conduct lawful gambling;
2. road or other construction causing impaired access to the lawful gambling premises;
3. flood, tornado, or other catastrophe that had a direct impact on the continuing lawful gambling operation; and
4. any other unique factors or circumstances that the organization presents to the Board for consideration.

**Lawful Purpose Rating** (continued)**Monitoring by organization encouraged**

Organizations are encouraged to monitor their lawful purpose rating using the LG1012 Worksheet—Lawful Purpose Rating.

For a copy of the most recent version of the LG1012 go to [www.mn.gov/qcb](http://www.mn.gov/qcb), or contact your Compliance Specialist at the Gambling Control Board.

## A Codes

Contribution to another licensed organization..... see code A20  
 State-level parent organization ..... see code A21  
 Electronic transactions are allowed for all lawful purpose expenditures.

Keep documentation, such as receipts and invoices, to support each expenditure.

Code	Expenditures by	Expenditures To (examples)
<b>A1</b>	<p>Licensed 501(c)(3) organization or licensed 501(c)(4) festival organization, for its primary purpose.</p> <div style="border: 1px dashed black; padding: 5px; margin: 10px 0;"> <p><b>Repair or maintenance</b> of capital assets and real property used exclusively for code A1 does not require Gambling Control Board approval.</p> <p><b>Capital assets</b>—For the acquisition or improvement of capital assets with a cost greater than \$2,000 per item or project, refer to code A23.</p> <p><b>Real property</b>—For real property, refer to code A24.</p> </div>	<ul style="list-style-type: none"> <li>501(c)(3) or 501(c)(4) general fund or transfer to separate account within the general fund, for its primary purpose.</li> </ul> <p><b>Each year</b>, the organization must meet 70/30 standards for general fund expenditures.</p> <ul style="list-style-type: none"> <li>Vendor, for goods and services for lawful purpose (primary purpose).</li> </ul>
<b>A1</b>	<p>All licensed gambling organizations.</p> <p><b>Contributions may not be made if the recipient organization:</b></p> <ol style="list-style-type: none"> <li>exists primarily for the purpose of receiving and distributing gambling profits;</li> <li>has more than 49% of its membership in common with the contributing organization; or</li> <li>has an officer, director, or other person in a managerial position who is also an officer, director, or management person in the contributing organization.</li> </ol>	<ul style="list-style-type: none"> <li>Non-licensed 501(c)(3) organization.</li> <li>Non-licensed 501(c)(4) festival organization.             <ul style="list-style-type: none"> <li>The contributing organization must have an IRS determination letter for the recipient organization to support a donation made to that organization.</li> <li>If payment is by check, make the check payable to the organization as named on the IRS determination letter.</li> </ul> </li> <li>Licensed 501(c)(3) organization. Refer to code A20.</li> <li>Licensed 501(c)(4) festival organization. Refer to code A20.</li> </ul>

<b>A Codes</b> (continued)		
<b>Code</b>	<b>Expenditures by</b>	<b>Expenditures To (examples)</b>
<b>A2</b>	<p>All licensed gambling organizations, to relieve the effects of poverty, homelessness, or disability, provided the entire amount of the contribution is used to relieve one or more of these effects.</p> <div> <p><b>Repair or maintenance</b> of capital assets and real property used exclusively for code A2 does not require Gambling Control Board approval.</p> <p><b>Capital assets</b>—For the acquisition or improvement of capital assets with a cost greater than \$2,000 per item or project, refer to code A23.</p> <p><b>Real property</b>—For real property, refer to code A24.</p> </div>	<ul style="list-style-type: none"> <li>• Individual or family.</li> <li>• Nonprofit corporation that exists exclusively for these relief purposes.</li> <li>• Vendor, for goods or services for the family or individual for these purposes.</li> <li>• Unit of government. Refer to code A10.</li> </ul> <div> <p><b>Relieving the effects of a disaster</b></p> <p>An organization may spend net profits to relieve the effects of a disaster as defined in Minnesota Statutes, Section 12.03, subdivision 2, without prior membership approval if the contribution is:</p> <ul style="list-style-type: none"> <li>• a lawful purpose as defined under Minnesota Statutes, Section 349.12, subdivision 25 (example: A2, a contribution to an individual to relieve the effects of homelessness or poverty caused by a disaster);</li> <li>• authorized by the organization's chief executive officer and gambling manager; and</li> <li>• approved by the membership at the next monthly meeting. If the contribution is not approved by the membership at its next monthly meeting, the organization must reimburse its gambling account in the amount of the contribution.</li> </ul> <p>"Disaster" means a situation that creates an actual or imminent serious threat to health and safety of persons, or a situation that has resulted or is likely to result in catastrophic loss to property or the environment; and for which traditional sources of relief and assistance within the affected area are unable to repair or prevent the injury or loss. See Minnesota Statutes, Section 12.03, subdivision 2.</p> </div>
<b>A3</b>	All licensed gambling organizations, for education, prevention, or treatment of problem gambling.	<ul style="list-style-type: none"> <li>• Problem gambling program recognized by the Minnesota Department of Human Services.</li> <li>• Unit of government. Refer to code A10.</li> </ul>
<b>A4</b>	All licensed gambling organizations, for funding a public or private nonprofit educational institution registered with or accredited by the state of Minnesota or any other state.	<ul style="list-style-type: none"> <li>• Private, accredited, nonprofit educational institution.</li> <li>• Public school. An LG555 must be completed and kept in the organization records.</li> <li>• Vendor, for goods or services benefiting a private nonprofit or public educational institution.</li> <li>• Licensed gambling organization that is a nonprofit educational institution. Refer to code A20.</li> </ul>

**A Codes** (continued)

<b>Code</b>	<b>Expenditures by</b>	<b>Expenditures To (examples)</b>
<b>A5</b>	All licensed gambling organizations, for scholarships to defray the cost of education to individuals.	<ul style="list-style-type: none"> <li>• Nonprofit organization whose mission is to award scholarships.</li> <li>• Organization's own scholarships where the scholarship process must: <ul style="list-style-type: none"> <li>– be awarded through an open and fair selection process that does not discriminate based on race, gender, religion, national origin, marital status, disability, or age;</li> <li>– not be limited to organization members or their immediate families;</li> <li>– have criteria for selection that is communicated to all participants and organization members; and</li> <li>– ensure that scholarship winners are made public and communicated to organization members.</li> </ul> </li> <li>• Individual scholarship award.</li> <li>• Student and school.</li> <li>• Public school for general scholarships. Refer to code A4.</li> </ul>
<b>A6</b>	All licensed gambling organizations, for recognition of military service.	<ul style="list-style-type: none"> <li>• Individual. A member of the contributing organization is limited to \$10, with a total limit of \$100 in a 12-month period, except for color guard or honor guards.</li> <li>• Individual, for participating in color guard, honor guard, or marching unit events in Minnesota or states bordering Minnesota. <ul style="list-style-type: none"> <li>– \$50 per day limit, with no limit in a 12-month period.</li> </ul> </li> <li>• Individual, for mileage reimbursement for providing color guard, honor guard or marching unit transportation in Minnesota or states bordering Minnesota.</li> <li>• Vendor, for purchase of goods used in activities recognizing military service, such as flags, color guard uniforms, parade rifles, bugles, etc.</li> <li>• Active military personnel and their immediate family members in need of support services (immediate family member means persons living in the same residence as the active military personnel).</li> <li>• Vendor, for purchase of goods, services, or for activities open to the public in recognition of military service, such as Memorial Day or Veterans Day services, provided that the expenditure does not result in any organization member receiving any money, or goods or services with a market value greater than \$10, with a total limit of \$100 in a 12-month period. This limit does not apply to active military personnel and their immediate family members in need of support services.</li> <li>• Unit of government. Refer to code A10.</li> </ul>

<b>A Codes</b> (continued)		
<b>Code</b>	<b>Expenditures by</b>	<b>Expenditures To (examples)</b>
<b>A7</b>	<p>All licensed gambling organizations, for activities benefiting youth under age 21.</p> <p><b>Gender equity</b>—A licensed gambling organization that makes a greater percentage of its lawful purpose expenditures on facilities or activities for one gender may not deny a reasonable request for funding for the underrepresented gender if the request meets lawful purpose.</p>	<ul style="list-style-type: none"> <li>Youth participating in community, recreational, or athletic activities.</li> <li>Vendor, for purchase of goods or services benefiting youth (for example, equipment purchases, bats, balls, gloves, hockey sticks, skates, uniforms, equipment repairs, etc.).</li> <li>Vendor, for fees and other costs of youth activities (for example, tournament fees, umpire fees, coach wages, ice time, field rental, etc.).</li> <li>Community, recreational, or athletic organization.</li> <li>Unit of government. Refer to code A10.</li> <li>Minnesota state-level parent organization for programs approved by the Gambling Control Board. Refer to code A21.</li> <li>Licensed lawful gambling organization. Refer to code A20.</li> </ul> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><b>Repair or maintenance</b> of capital assets and real property used exclusively for code A7 does not require Gambling Control Board approval.</p> <p><b>Capital assets</b>—For the acquisition or improvement of capital assets with a cost greater than \$2,000 per item or project, refer to code A23.</p> <p><b>Real property</b>—For real property, refer to code A24.</p> </div>
<b>A8</b>	<p>All licensed gambling organizations, for payment of local, state, and federal taxes on receipts from lawful gambling; gambling tax refund, if any.</p>	<ul style="list-style-type: none"> <li>Combined net receipts tax.</li> <li>8.5% tax on non-linked bingo and raffle net receipts.</li> <li>The 0.125% monthly regulatory fee.</li> <li>Department of Revenue (M-4NP).</li> <li>IRS, for 990T, 730 if applicable, and 11-C for the organization only. 11-C taxes for individuals are an allowable expense.</li> <li>Local unit of government, for local gambling tax up to 3%.</li> <li>Refunds of any of the above items are entered on LG100C as a negative amount.</li> </ul> <p>The LG555 is not required for these expenditures.</p>



**A Codes** (continued)

Code	Expenditures by	Expenditures To (examples)
<b>A9</b>	<p>All licensed gambling organizations for payment of real estate taxes and assessments on a permitted gambling premises owned by the organization.</p> <p>All licensed veterans organizations, recognized as 501(c)(19) of the Internal Revenue Code, for payment of real estate taxes and assessments on a permitted gambling premises owned or wholly leased by the organization.</p>	<ul style="list-style-type: none"> <li>County.</li> <li>City.</li> </ul> <div style="border: 1px dashed black; padding: 5px;"> <p><b>Restrictions</b></p> <p>Property taxes may be paid only on the building that is the permitted premises and the parcel of land on which the building stands.</p> <p>Taxes <u>may not</u> be paid for separate parcels of land or buildings for which the organization has no premises permit.</p> </div> <p><b>NOTE:</b> Your organization may qualify for a property tax special classification of 4c(3)(ii) if your organization meets certain requirements. Contact your county assessor for information.</p>
<b>A10</b>	<p>All licensed gambling organizations, for contributions to the United States, the state of Minnesota or any of its subdivisions or agencies or instrumentalities.</p> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p>A direct contribution to a law enforcement or prosecutorial agency is not allowed.</p> </div>	<p>All of these expenditures must be supported by a completed LG555. Keep the LG555 in the organization records.</p> <ul style="list-style-type: none"> <li>Minnesota city or city unit.</li> <li>Minnesota county or county unit.</li> <li>Minnesota township or township unit.</li> <li>State of Minnesota or governmental unit.</li> <li>United States government or governmental unit.</li> <li>School district. Refer to code A-4.</li> </ul>
<b>A10</b>	<p>All licensed gambling organizations, for a contribution to a 10% (maximum) fund administered and regulated by a city or a county.</p>	<p>Fund administered by:</p> <ul style="list-style-type: none"> <li>A city or city unit.</li> <li>A county or county unit.</li> <li>An entity designated by city or county for receipt of the funds.</li> </ul> <p>Cities or counties (not townships) are authorized to establish this fund by local ordinance under Minnesota Statutes, Section 349.213. The city or county must disburse the fund receipts for lawful purposes and report annually to the Gambling Control Board on the collection and disbursements of the fund.</p> <p>The LG555 is not required for these expenditures.</p> <p>Refer to the <i>Directory and General Information</i> chapter, <i>Local Unit of Government</i> section, for additional information.</p>

<b>A Codes</b> (continued)		
<b>Code</b>	<b>Expenditures by</b>	<b>Expenditures To (examples)</b>
<b>A11</b>	All licensed gambling organizations, for contributions to or expenditures by a nonprofit organization that is a church or a body of communicants.	<ul style="list-style-type: none"> <li>• Church.</li> <li>• Body of communicants.</li> <li>• Church, licensed to conduct gambling, to its own general fund.</li> <li>• Church licensed to conduct lawful gambling. Refer to code A20.</li> </ul>
<b>A12</b>	All licensed gambling organizations, for expenditures for citizen monitoring of surface water quality testing for public waters by individuals or nongovernmental organizations, with Minnesota Pollution Control Agency (MPCA) guidance on monitoring procedures, quality assurance protocols, and data management, providing that data is submitted to the MPCA.	<p>All of these expenditures must be supported by a completed LG555. Keep the LG555 in the organization records.</p> <ul style="list-style-type: none"> <li>• Individual.</li> <li>• Vendor, for goods or services.</li> <li>• Unlicensed nongovernmental organization.</li> </ul> <p>For capital assets that will be owned by the organization, refer to code A23.</p>
<b>A13</b>	<p>All licensed gambling organizations, for a project or an activity approved by the DNR for:</p> <ul style="list-style-type: none"> <li>• wildlife management projects that benefit public at large,</li> <li>• grant-in-aid trail maintenance and grooming for snowmobile and all-terrain vehicle trails established under Minnesota Statutes, Sections 84.83 and 84.927, including purchase or lease of equipment,</li> <li>• supplies and materials for safety training and education programs coordinated by the DNR, including the Enforcement Division.</li> </ul>	<p>All of these expenditures must be supported by a completed form LG555. Keep the LG555 in the organization records.</p> <ul style="list-style-type: none"> <li>• Individual.</li> <li>• Organization.</li> <li>• Unit of government. Refer to code A10.</li> <li>• Vendor, for goods or services.</li> <li>• Licensed gambling organizations. Refer to code A20.</li> </ul> <div style="border: 1px dashed black; padding: 5px;"> <p><b>Repair or maintenance</b> of capital assets and real property used exclusively for code A13 does not require Gambling Control Board approval.</p> <p><b>Capital assets</b>—For the acquisition or improvement of capital assets with a cost greater than \$2,000 per item or project, refer to code A23.</p> <p><b>Real property</b>—Refer to code A24.</p> </div>
<b>A14</b>	All licensed gambling organizations, for contributions to nutrition programs, food shelves, and congregate dining programs primarily for persons who are age 62 or older or disabled.	<ul style="list-style-type: none"> <li>• Non-licensed organization.</li> <li>• Unit of government. Refer to code A10.</li> <li>• Vendor, for goods or services.</li> </ul> <p>Congregate dining is a qualified nutritional meal that meets the guidelines from the Health Department.</p> <p>NOTE: Paying for meals for senior citizens is not a lawful purpose expenditure unless the meals are part of a congregate dining program or the senior citizens qualify under code A2.</p>
<b>A15</b>	All licensed gambling organizations, for contributions to community arts organizations, or expenditures to fund arts programs in the community.	<ul style="list-style-type: none"> <li>• Individual or group.</li> <li>• Unit of government. Refer to code A10.</li> <li>• Public school. Refer to code A4.</li> <li>• Private educational institution. Refer to code A4.</li> <li>• Vendor, for goods or services.</li> <li>• Licensed gambling organizations. Refer to code A20.</li> </ul>

**A Codes** (continued)

Code	Expenditures by	Expenditures To (examples)
<b>A16</b>	All licensed veterans and fraternal organizations for a building wholly owned or wholly leased and used as its primary headquarters—for payment of fuel for heating, sewer costs, water, and electricity.	<ul style="list-style-type: none"> <li>• Vendor, for services.</li> </ul> <p><b>NOTE:</b> If a portion of the building is leased out, Gambling Control Board approval is needed to pay for percentage of utilities used for primary headquarters.</p>
<b>A17</b>	All licensed veterans organizations for meals and other membership events, limited to members and spouses only, held in recognition of military service.	<ul style="list-style-type: none"> <li>• Vendor, for goods or services.               <ul style="list-style-type: none"> <li>- Limit \$5,000 per calendar year in total for all licensed veterans organizations sharing the same veterans post home.</li> </ul> </li> </ul> <p>For events open to the public, refer to code A6.</p>
<b>A18</b>	All licensed gambling organizations, for its <b>annual</b> state organization license, premises permit, and gambling manager license fees.	<ul style="list-style-type: none"> <li>• State of Minnesota (Gambling Control Board).</li> </ul>
<b>A19</b>	All licensed gambling organizations for contributions or expenditures to honor an individual's humanitarian service demonstrated through philanthropy or volunteerism to the United States, the state of Minnesota, or local community.  <b>NOTE:</b> This category includes expenditures made for transportation, food, and beverages given to persons donating blood.	<ul style="list-style-type: none"> <li>• Individual.</li> <li>• Vendor, for goods or services used in activities recognizing humanitarian service, provided that the expenditure is limited to the person(s) being honored.  Example: Dinner honoring volunteers who worked filling sandbags during a potential flood.</li> <li>• Vendor, for purchase of goods given to person(s) being honored.</li> </ul>
<b>A20</b>	All licensed gambling organizations, for contributions to another licensed organization, with prior Gambling Control Board approval.	<ul style="list-style-type: none"> <li>• Licensed organization. Use the LG270 request form.  The contribution must be used by the recipient organization for one or more of the following lawful purposes: Codes A1 to A7, A11 to A15, A19, or A25 (fire or other catastrophe).</li> </ul>
<b>A21</b>	All licensed gambling organizations with a parent organization, for a contribution to their parent organization.  Example: <ul style="list-style-type: none"> <li>• VFW Posts may contribute to VFW state-level programs approved by the Gambling Control Board.</li> <li>• However, the VFW Auxiliary, American Legion, or other licensed organizations may not contribute to the state-level VFW and its approved programs.</li> </ul>	<ul style="list-style-type: none"> <li>• Parent organization, state-level. The contribution is allowed if:               <ol style="list-style-type: none"> <li>1. the parent organization has not provided to the contributing organization, within one year of the contribution, any money, grants, property, or other thing of value, and</li> <li>2. the parent organization has received prior Gambling Control Board approval for the contribution that will be used for a program that meets one or more of the following lawful purposes: A1 to A7, A11 to A15, A19, or A25.</li> </ol> </li> </ul>

<b>A Codes</b> (continued)		
<b>Code</b>	<b>Expenditures by</b>	<b>Expenditures To (examples)</b>
<b>A22</b>	<p>All licensed gambling organizations, for the repair, maintenance, or improvement of real property and capital assets owned by an organization, or for the replacement of capital assets, owned by the organization, that can no longer be repaired.</p> <p>The real property or capital assets must be made available to other nonprofits free of charge and the location must be used for the organization's primary headquarters or primary mission.</p> <p><b>NOT ALLOWED:</b></p> <ul style="list-style-type: none"> <li>- building expansions;</li> <li>- commercial portion of building, gambling-related, such as gambling manager's office, booths, storage;</li> <li>- organization office equipment; or</li> <li>- bar-related expenditures, such as remodeling, equipment, smoking room, patio/deck for bar/restaurant.</li> </ul>	<p>Vendor, for goods or services.</p> <p><b>Annual limit</b> There is a fiscal year limit of 5% of gross profits from the previous fiscal year (July through June). Use the (optional) LG267 Worksheet to track expenditures.</p> <p>Prior Gambling Control Board approval is required for expenditures that exceed the limit due to extenuating circumstances. (Use the LG269 request form.)</p> <p><b>Replacement building</b> Prior Gambling Control Board approval is required to apply amounts within the annual limit towards the construction or acquisition of a replacement building that is in compliance with the Americans with Disabilities Act (ADA). (Use LG268 request form.)</p>
<b>A23</b>	All licensed gambling organizations, for the acquisition or improvement of <b>capital assets</b> (excluding real property) used exclusively for lawful purpose.	<ul style="list-style-type: none"> <li>• Vendor, for goods or services, with a cost over \$2,000.               <ul style="list-style-type: none"> <li>- Prior Gambling Control Board approval required.</li> <li>- Use LG266 request form.</li> </ul> </li> </ul>
<b>A24</b>	All licensed gambling organizations, for the acquisition, erection, improvement, or expansion of <b>real property</b> used exclusively for lawful purpose, with Board approval.	<ul style="list-style-type: none"> <li>• Vendor, for goods or services.               <ul style="list-style-type: none"> <li>- Prior Gambling Control Board approval required.</li> <li>- Use the LG266 request form.</li> </ul> </li> </ul>
<b>A25</b>	All licensed gambling organizations, for the erection or acquisition of comparable building to replace a building destroyed or made uninhabitable due to <b>fire or other catastrophe</b> , or taken or sold under an <b>eminent domain</b> proceeding.	<ul style="list-style-type: none"> <li>• Vendor, for goods or services.               <ul style="list-style-type: none"> <li>Prior Gambling Control Board approval required.</li> <li>- For fire/catastrophe, use LG262 request form.</li> <li>- For eminent domain, use LG263 request form.</li> </ul> </li> </ul>
<b>A26</b>	<p>All licensed gambling organizations, for a contribution to a non-licensed 501(c)(19) organization.</p> <p><b>NOTE:</b> Contribution must be used for lawful purpose or for primary mission. May not be used for building expansion or bar-related expenditures.</p>	<ul style="list-style-type: none"> <li>• Non-licensed 501(c)(19) organization.               <p>Restrictions on recipient organization:</p> <ul style="list-style-type: none"> <li>- does not have organization license issued by the Board,</li> <li>- is not affiliated with the contributing organization, and</li> <li>- recipient organization's owned or leased property is not a permitted premises.</li> </ul> </li> </ul>

## Guidelines at a Glance

### Real Property and Capital Assets Used Exclusively for Lawful Purpose

NOTE: These expenditures are not included on the LG267 Worksheet for Code A22.  EXAMPLES	Capital Assets		Real Property	The repair or maintenance of capital assets and real property <u>used exclusively for lawful purpose</u> does not require Gambling Control Board approval.
	Acquire or Improve			
	Less than \$2,000 per item or project	More than \$2,000 per item or project	Acquire, erect, expand, improve	
Disability—Wheelchairs, medical equipment.	A2	Use LG266 A23		A2
Disability—Storage shed for wheelchairs, medical equipment.			Use LG266 A24	A2
Military—Flag poles, memorials.	A6	Use LG266 A23	Use LG266 A24	A6
Military—Honor guard equipment, rifles, gun safe.	A6	Use LG266 A23		A6
501(c)(3)—If paid to vendor directly from gambling account.	A1	Use LG266 A23	Use LG266 A24	A1
Trails—Building and land for storage.			Use LG266 A24	A13
Trails—Groomers, truck, trailer, tools, plows, other equipment.	A13	Use LG266 A23		A13
Youth—Playing fields, arenas, related building—dugouts, fencing, lights.			Use LG266 A24	A7
Youth—Sports equipment, lawn mower, ice surface, etc.	A7	Use LG266 A23		A7
Other—Concession stands and other general fundraising items are general fund expenses. They are not lawful purpose.				

<b>Expenditures Not Allowed</b>	
Lawful purpose expenditures that are not allowed include the following.	
<b>Benefit to organization making expenditure prohibited</b>	<ul style="list-style-type: none"> <li>An organization may not retain any control over any expenditure, contribution, or other disposition of gambling gross profits.</li> </ul> <p><b>EXCEPTION:</b> The only exception is for expenditures made by a licensed 501(c)(3) or 501(c)(4) festival organization to its own general fund. (<i>See Minnesota Rules, Part 7861.0320, Subpart 4; and Minnesota Statutes, Section 349.154, subdivision 1</i>)</p> <ul style="list-style-type: none"> <li>Any contribution or expenditure that results in any monetary, economic, financial, or material benefit to the organization making the contribution or expenditure.</li> </ul>
<b>Circumventing lawful purpose</b>	Any contribution to a 501(c)(3) organization or other entity with the intent or effect of not complying with lawful purpose restrictions or requirements.
<b>Conflict of interest</b>	Any contribution or expenditure that is not allowed under the conflict of interest provisions of the Minnesota Nonprofit Corporation Act, Minnesota Statutes, Section 317A.255.
<b>Fundraising exception</b>	A contribution or expenditure may not be made for the purposes of fundraising, except for an expenditure by a 501(c)(3) organization or a 501(c)(4) festival organization from its general fund.
<b>Direct law enforcement contribution</b>	A contribution may not be made directly to a law enforcement agency, such as police or sheriff, or to a prosecutorial agency.
<b>Liquor</b>	The purchase of any intoxicating liquor, wine, or malt beverages is not allowed.
<b>Pension or retirement fund (government)</b>	A contribution may not be made to a city, county, or town with the knowledge that the governmental unit intends to use the contribution for a pension or retirement fund.
<b>Political purposes</b>	<ul style="list-style-type: none"> <li>An expenditure made or incurred for the purpose of influencing the nomination or election of a candidate for public office.</li> <li>A contribution for promoting or defeating a ballot question.</li> <li>A contribution for any activity intended to influence an election or a governmental decision-making process.</li> </ul>
<b>Tax interest, penalties</b>	Interest on taxes, tax penalties, or interest on tax penalties are allowable expenses, not lawful purpose expenditures.

## Advertising

### Youth activity—graduation night party

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| <p><b>Q. Parents of our high school seniors have formed a committee to put on a graduation night party for the students.</b></p> <p><b>May gambling funds be used to fund and advertise this party?</b></p> | <p><b>A.</b> Yes. Under lawful purpose code A7, an expenditure may be made for activities intended primarily for persons under age 21. The portion of the advertisement related to the lawful purpose activities must be:</p> <ul style="list-style-type: none"> <li>• paid directly to the vendor with gambling funds; and</li> <li>• reported as a lawful purpose expenditure on the LG100C, coded as A7.</li> </ul> |
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### Youth activity—advertising

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|---|--|
| <p><b>Q. May our organization advertise lawful purpose activities such as “kids Easter egg hunt”?</b></p> | <p><b>A.</b> Yes. An organization may advertise activities for promoting youth activities such as:</p> <ul style="list-style-type: none"> <li>• Easter egg hunts</li> <li>• youth holiday parties</li> <li>• gun safety classes</li> <li>• recreational activities</li> <li>• other youth activities</li> </ul> <p>These would be coded as A7 on the LG100C.</p> |
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### Honoring military service—advertising

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|--|---|
| <p><b>Q. May our organization advertise lawful purpose activities that are open to the public to honor military service?</b></p> | <p><b>A.</b> Yes. An organization may advertise activities honoring military service by placing an ad in a newspaper or a radio or TV spot. These would be coded as A6 on the LG100C.</p> |
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### Advertising for lawful purpose; documentation required

The portion of the advertisement that is related to the lawful purpose activities must be:

- paid directly to the vendor with gambling funds; and
- reported as a lawful purpose expenditure on the LG100C.

The organization is responsible for documenting the portion of the advertisement that is related to the lawful purpose activity.

## Required Forms to Use

### Board Request Forms

The following forms are used to request prior approval of the Gambling Control Board for expenditures as required by statute or rule. Consideration of the requests is given by the Gambling Control Board at its monthly board meeting.

**LG262**—Request to Replace Building Destroyed or Made Uninhabitable by Fire or Other Catastrophic Event

**LG263**—Request to Replace Building Taken or Sold Under Eminent Domain Proceeding

- For erection or acquisition of a comparable building to replace an organization-owned building that was taken or sold under an eminent domain proceeding, provided that the expenditure may be only for that part of the replacement cost not compensated to the organization under the eminent domain proceeding.

**LG266**—Request to Replace Real Property or Capital Assets Used Exclusively for Lawful Purpose

- Refer to the guidelines chart for Real Property and Capital Assets Used Exclusively for Lawful Purpose on page 251 of this chapter.
- The repair or maintenance of capital assets and real property used exclusively for lawful purpose does not require Gambling Control Board approval if the project or item is less than \$2,000.
- Use LG267 Worksheet for Code A22 Real Property or Capital Assets to track expenditures.

**LG268**—Request for Replacement Building Meeting American with Disabilities Act (ADA) Requirements

**LG269**—Request to Exceed Annual Limit for Code A22

- For each current fiscal year (July to June) an organization may expend up to 5% of gross profits for the previous fiscal year's activity (July to June) for certain real property and building-related capital assets.

**LG270**—Request to Contribute Gambling Funds to Another Licensed Gambling Organization

### Government Approval or Acknowledgement

Use the **LG555 Government Approval or Acknowledgement for Use of Gambling Funds** form to support contributions that meet the following lawful purpose A-codes:

- A4 made to a public school
- A10 made to United States, State of Minnesota or any of its subdivisions or agencies (not to include law enforcement or prosecutorial agency)
- A12 water quality testing approved projects by Minnesota Pollution Control Agency (MPCA)
- A13 DNR-approved projects

Keep the completed LG555 form attached to the LG100C in your organization's records. You do not need to submit this form to the Gambling Control Board or Department of Revenue.

Forms are available at [www.mn.gov/gcb](http://www.mn.gov/gcb) or the Gambling Control Board. For additional information or questions contact your Compliance Specialist.